Does Forestry Have a Role in Poverty Reduction?

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Context

The purpose of this paper is to provide an analysis of the opportunities and threats to increasing forestry's contribution to poverty reduction. The analysis examines the international, national, and local arenas and the drivers of change at these different levels. It questions the extent to which pro-poor policy is already in place. It examines critically the nature of poverty as a basis from which to assess the extent to which changing ownership and access patterns are bringing greater livelihood security to the rural poor. It uses poverty as the starting point for looking at forest policy rather than looking at forestry and seeing how it can be made to accommodate a more pro-poor approach.

The paper looks back on what we have achieved so far in terms of poverty reduction through forestry. It unpacks the assumptions underpinning much of the support to "pro-poor" forestry. The second part develops an approach to pro-poor forestry. It analyzes the critical factors that shape the potential for pro-poor policy including an analysis of the nature and understanding of poverty to ensure clarity in debate about who the poor are and thus what the differential effects of forest policy and tenure change are on them. It builds on notions of vulnerability, insecurity, and well-being.[2] It examines the nature of the state and its structures, civil and political society, and some of the overarching trends that enable or disable pro-poor policy. The appendix uses the analysis to look at the particular example of the Nepal Swiss Community Forestry Project and its highly innovative approaches to using community forestry as a springboard to tackling the deeper structural issues of extreme poverty in rural Nepal.

Where have 50 years of forestry development led us? Forest resources directly contribute to the livelihoods of 90% of the 1.2 billion people living in extreme poverty and indirectly support the natural environment that is essential for agriculture and the food supplies of nearly half the population of the developing world (World Bank 2004). But with over US$1.5 billion a year spent on forestry by the donor agencies (Douglas 1999)—what do we have to show for all the effort and money?

For a number of governments, mismanagement of forests has cost them revenues exceeding those leant by the World Bank.[3] There is evidence of greater rates of deforestation and increased numbers of people living in poverty in forest areas. Experience has shown us that despite the flow of resources and technocratic support, we have failed to change the things that really make a difference—the institutional and political structures that frame the world we live in and determine who claims access to resources and benefits from them, whose voices are heard, and whose are silenced.

A common forestry assumption is that better science/technology should be the focus of research and action—better inventories, species selection, and management practices. I am not going to address this particular thorny issue but what is the key is that the social

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[2] "Well-being is used to describe all elements of how individuals experience the world and their capacities to interact and includes the degree of access to material income or consumption, levels of education and health, vulnerability and exposure to risk, opportunity to be heard and ability to exercise power, particularly over decisions relating to securing livelihoods" (World Bank 2001: 15).

[3] In addition US$10–15 billion per year are lost to governments globally through illegal logging.

consequences (good or bad) of improving science and technology depend on how they are applied, by whom, for whom.

Forests are a source of wealth and power. They are also a locus of poverty. For many millions of people forests and forest products and services provide both direct and indirect sources of livelihood, providing a major part of their physical, material, economic, and spiritual lives (Byron and Arnold 1997: 3). They often occur in remote rural areas with poor infrastructure, access to markets, and other basic services, the last frontier of unallocated land and at the furthest edge of state reach. The livelihood options in such areas are highly circumscribed.

Increasing globalization and the search by international finance for lucrative opportunities further increase pressure at the local level for equitable resource access. This is particularly the case in Africa, where governance institutions are weak and national economies are dependent on rich natural resource endowment, and where conflict and political instability are fuelled by attempts to control access to resources. Evidence suggests that privatization and enclosure of common pool resources are driving livelihood transformation in quite negative ways, increasing inequality, and generating conflict. The question of how forests should be managed, by whom and for whose benefit, requires governance answers at the local, national, regional, and international levels, adding to the complexity surrounding forest management.

Around the world, a growing crisis of legitimacy characterizes the relationships between citizens and institutions that affect their lives. In both developed and developing countries, citizens speak of mounting disillusionment with the government, based on concerns about corruption, lack of responsiveness to the voices of the poor, and the absence of a sense of connection with elected representatives and bureaucrats. Trust has apparently broken down and suspicion rides high. Traditional forms of expertise and representation are being questioned. The rights and responsibilities of corporations and other global actors are being challenged as global inequalities persist and deepen.

The challenge facing forestry is not just the restoration of trees or forest biodiversity but the growth of a political and social landscape that facilitates people's abilities to make choices to secure their livelihoods and to move beyond forests as a resource to sustain them in poverty to forests as a means to step out of poverty.

The Forms of Poverty-focused Forestry

For the past 30 years there has been much focus on changing relationships between people and forests. For many countries, over the last century, state control of forestry was the dominant institutional structure. Yet by the 1980s, there was extensive experience of government failure in the forest sector with widespread evidence of dysfunctional institutions and deteriorating forest-based livelihoods. The state was failing in many areas but the forest sector in particular was highlighted as a sector "notorious as a locus of corruption, vested interests, rent-seeking behaviour and lack of transparency in the allocation of resource rights" (Blaser and Douglas 2000). The perceived failure of the state has led to a revisiting of the basic questions about government, what its role should be, and how best it should fulfil this role. The 8th World Forestry Congress in 1978 heralded this shift in policy with the declaration that forests were for local community development.

An important statement from this congress directed and challenged governments to adopt a wide understanding of the role of forestry within rural development and in particular the need for a change in attitude towards rural people:

> *It means encouraging self-reliance, mutual aid and cooperation. It means recognising people as the motive force of development, not simply as the passive object of development* (quoted in Westoby 1985: 320).

This statement followed a decade of thinking, practice, and challenge within international forestry spearheaded by Jack Westoby at the Food and Agriculture Organization of the United Nations (FAO) who in the late 1960s famously stated:

> *Forestry is as much about people as it is about trees* (Westoby 1968: 121).

This statement and the subsequent international debates spawned nearly three decades of layers of often conflicting trends in forestry:

- Devolved management responsibility and sharing of benefits with forest-dependent communities—community forestry
- Reforming the forest sector as the "locus of corruption"
- Changing the role of the state from centralized to devolved control
- Seeing civil society as a panacea to all the ills of the state
- Moving away from the forest sector (too intransigent) to a wider governance and poverty focus

Experience of Change

Let us have a quick look to see what has happened.

Considerable energy and resources have been focused on forest reform. These reforms were intended to have profound consequences, changing the institutional framework for the whole sector. The challenge was laid down to transform the ways in which forestry organizations function and relate to people who live in and close to forests and depend on tree and forest resources for their livelihoods. Much of this change focused on technocratic interventions, restructuring, downsizing, and removal outside the public sector. The experience has been almost entirely unsuccessful with most forest institutional structures remaining resolutely impervious to change.

However, in other instances perhaps the story is more positive—as a result of these reform programs there is some degree of acceptance that forestry should move from being a state-centric program to one in which local people have a varying role. This ranges from complete territorial control (e.g. ancestral domains) to partial roles as managers of degraded land (much of Joint Forest Management in India) to none (except on paper), with claims that as much as 22% of developing countries' forests are under **community** forest administration or ownership (White and Martin 2002: 7; Barry et al. 2003) and estimates of community conservation showing there is as much under **community** management as under conservation in public protected areas (Molnar et al. 2004: 10).

The Assumptions

In our clumsy attempts to implement Westoby's vision we have created our own set of assumptions. These assumptions underpin the different trends in forestry that we have supported—in crude terms they can be described as follows:

- Poor people live in and near forests
- Targeting forest areas therefore is pro-poor
- Poor people's livelihoods are dependent on forests
- Securing their livelihoods through access and tenure reform is pro-poor
- Community level action is more pro-poor than state-managed processes
- Participation leads to inclusion that leads to benefits
- Institutional and organizational reform of forest sector institutions will lead to more pro-poor outcomes
- Civil society is a better facilitator of pro-poor outcomes than the state
- Increasing democratic opportunity for control over resources will lead to more pro-poor outcomes

Leading from this set of assumptions a simple equation is often drawn:

> *If forests are devolved to the local level with community tenure and decision-making power over use of forests, including commercialization, also devolved—this will be pro-poor.*

My work over the last 20 years has challenged this simplistic equation. Why has so much forest policy change and practice, whether top-down, bottom-up, inside-out, or outside-in, not actually led to poverty reduction? There are several dimensions to the answer to this question that the next part of this paper addresses:

- The use of "community" as short hand for the poor
- The use of "customary" groups as a more "pro-poor" approach than working through the state
- The assumption that engagement through civil society will lead to more pro-poor outcomes than those facilitated through the state
- The absence of power analyses and assessment of policy impacts in terms of local power relationships
- The absence of gender analysis (and its implications) despite serious analytical work around this issue in the 1980s
- The unclear but presumed equation between poverty and forest dependence
- The unclear effects of different property regimes on the poor, e.g. community private property versus public property with community access rights (or privileges) versus individual property. Currently there is a lack of evidence as to which of these tenure arrangements might be more pro-poor and under what circumstances—we still do not know
- The assumption of uniform political regimes and their emergence towards some form of democratic decision making without engagement with the actual nature of the regime and assessing the potential for building new institutional and political frameworks for the forest sector
- Commercialization brought to the right level and within a supportive regulatory framework will increase opportunity for the poor irrespective of the differential capabilities and opportunities to access resources possessed by the poor

An initial and crude assessment of apparently pro-poor policies leaves us with several conclusions:

- There are two dimensions of change at work—ownership and control. This varies from country to country leading to a public–private continuum with different levels of authority to decide and exclude at the local level but little evidence or understanding of the differential effects of tenure change on poor people
- Policy change does not necessarily lead to pro-poor outcomes in the absence of wider structural transformation
- Tenure reform does not necessarily lead to pro-poor outcomes where there is a lack of structural transformation and reform leads to privileges (to be extinguished at will by the state) as opposed to rights that can be upheld through a judicial process or that ensure social legitimacy at the local level that can be sustained by poor people
- Tenure reform is often highly restricted with the state retaining control over high value forests and decision making
- The focus on participation in forestry does not necessarily lead to pro-poor outcomes
- The presumption that apparently democratic processes of decision making lead to pro-poor outcomes is not supported by the evidence
- Institutional reform and organizational change have been partially successful and invariably have led to limited change in terms of a more pro-poor organizational orientation
- In most cases the policy reform started with forests and not with poverty and an agenda of reducing the role of the state rather than reducing poverty. Thus policy is rarely informed by an understanding of how poverty is constructed and maintained

Moving Forward to Forestry for Poverty Reduction

Returning to the title question of this paper on whether forestry has a role in poverty reduction, the first answer is yes but highly qualified about how this role is developed. At the same time the answer is no, if we continue to think that simply being pro-local, pro-community, pro-indigenous, or pro-customary necessarily equates to being pro-poor. Policy and practice have largely ignored the highly differentiated and unequal structures within rural communities and ignored the rapidly increasing levels of inequality now being documented across the world, including in areas that were previously considered to be less unequal (such as Sub-Saharan Africa, Peters [2004]).

The discussion also shows how complex the policy response needs to be; it is not amenable to single agency solutions and requires levels of interagency operation and implementation that are not immediately obtainable in many countries (Bird and Pratt 2004). Not only are the effects of policy socially differentiated, determined by the nature of the political regime but they are also spatially differentiated—depending on the levels of remoteness (i.e. interconnectedness to markets, other employment opportunities) and on the nature and quality of the resource and its position within the livelihoods of rural people; i.e. people living in forests, compared to those in forest–agriculture mosaic landscapes to those where trees are found predominantly within an agricultural landscape. This takes us to a policy foundation based on an understanding of spatial, temporal, and structural vulnerabilities.

The major problem with trying to reduce the political framework within which forests are situated to linear dimensions is that each of these critical factors is affected by the other factors. Thus a destitute person within a crisis state, where there is limited urbanization and opportunities, with a repressed or co-opted civil society, has far more difficult barriers to overcome in terms of moving out of poverty, than a destitute person in a state with a functioning central and local government, an active civil society that is able to advocate, and

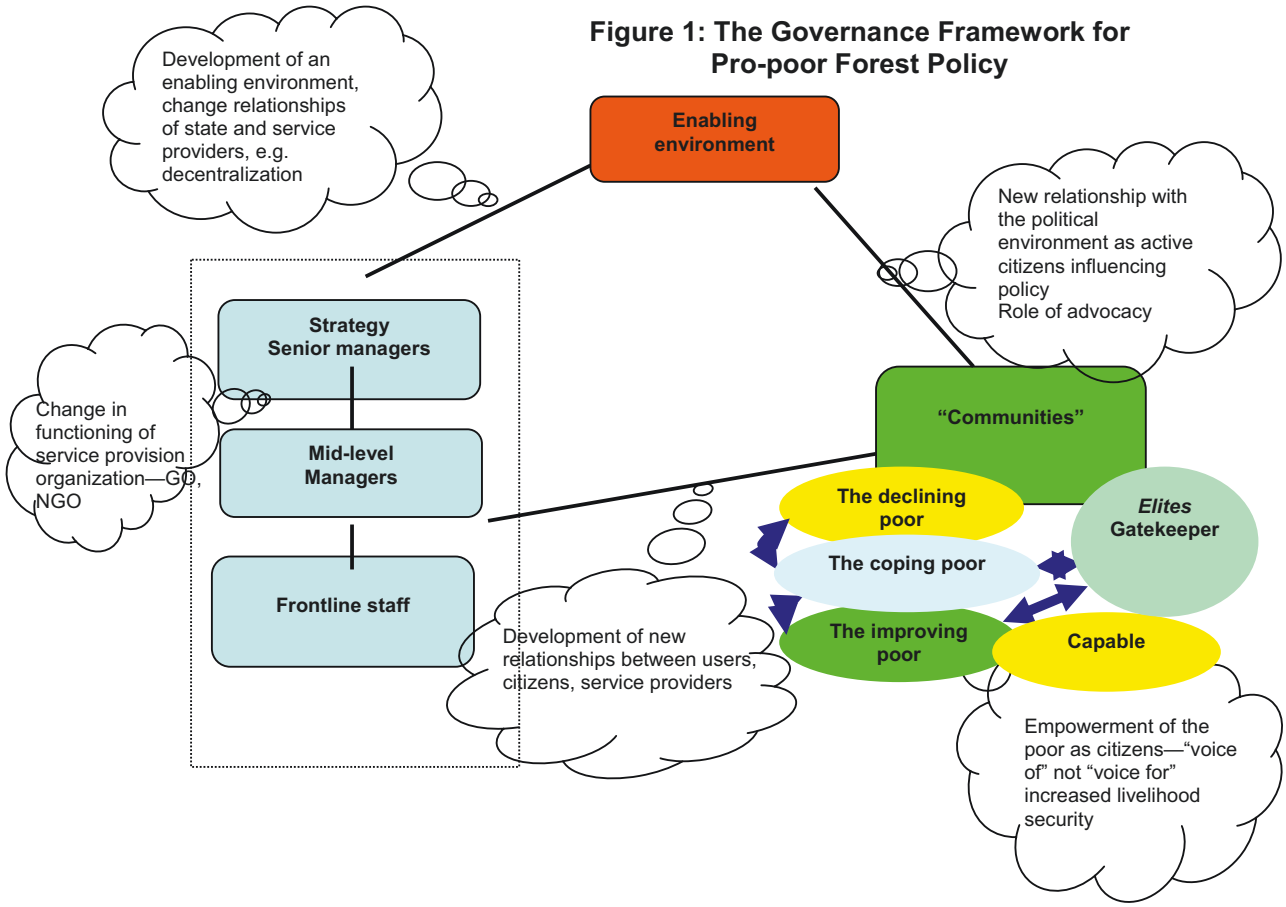
kinship- or state-based social protection that provides some limited security. Within these different contexts the role forests have to play is profoundly different. In the most extreme case, forests and forest land are probably one of the only assets that can provide some short-term security, whereas in the more favorable case, asset transfers from the state may provide more secure options for the destitute. In a crisis state, however, it is often forest land and the natural resources it carries that becomes the focus of violence and contest. As can be seen from this framework, the key conditions affecting forests mean that the nature of support to forest-related activities has to be highly contextualized. As forests and the access to their products and land are inherently political, the relationship between forests and poor people is based on power and their political and social relationships. Achieving transformation in these relationships is a political process and not technocratic.

Returning to the initial definition of pro-poor we can highlight the key elements of a pro-poor forestry policy and the tenure reform process and outcomes:

> *The aim of pro-poor policies is to improve the assets and capabilities of the poor. These may include, for example, policies that lead to broad-based economic growth, safety nets to ensure the poor are not harmed by economic reforms and shifts in budget allocations so that publicly provided services are specifically targeted to the needs of the poor. Promoting an enabling political and policy environment as well as ensuring the voices of the poor are heard in policy discussions are also key aspects of this agenda* (ODI CSPP).

Attention to all these elements is necessary to ensure sustained change for poor people. Much of the work done so far has paid attention to one or two of these elements but has not attempted to work on all parts of the big picture (Figure 1) at the same time. Clearly this is too big a task for any one organization alone, but building this picture and influencing and allying with others to deliver it could make it a reality.

Figure 1: The Governance Framework for Pro-poor Forest Policy



The Six Areas of Understanding

This paper presents several major areas of understanding that are required in order to effectively develop a form of forestry that fulfils its potential to be poverty reducing. These can be separated into six distinct but highly interlinked areas:

1. **Understanding the poor**—three levels of understanding are highlighted: spatial vulnerability (remote rural areas); temporal vulnerability (seasonal and within the life cycle); and structural vulnerability (concerning social, economic, and political exclusion as well as lack of or little voice). Unless we understand these three dimensions of poverty and in particular the issues surrounding structural vulnerability and what they require in terms of different support, our policies will continue to reinforce poverty

2. **Understanding the changing roles of forests and trees in livelihoods**—as rapid change is underway in many countries, due to globalization, de-agrarianization, changing modes of development etc., options for livelihood and relations to resources are constantly changing. The assumption that people wish to retain forest-based livelihoods or are indeed still dependent on them has to be challenged and a wider analysis undertaken that puts forestry within a much broader livelihood context

3. **Understanding politics and the power to build active citizenship**—in order to increase participation, the starting point should always be poor people's existing political platforms, instead of building new institutions and building capabilities for

increased participation in those existing arenas. Of equal importance is the response from the state and non-state institutions to achieve responsiveness and democratic interactions with the people

4. **Understanding the role of the state**—the state is a major player in setting the policy and regulatory frameworks, responsiveness to poor people, and connections to its citizens. There are many issues, as discussed earlier, concerning the role of the state and its relations with political and civil society, all of which are crucial to understand and work within

5. **Understanding the roles of markets and enterprises**—major global players include transnational corporations and the whole chain of enterprise; the links into the local level and the potential for both positive and negative engagement provide levels of both opportunity and disincentive that need to be recognized and engaged with

6. **Understanding global change and geopolitics**—much of the discussion has focused on national and local levels; clearly the major global drivers have a direct impact on livelihood choices at the local level. These major changes do have profound consequences in terms of livelihood choices and stresses, providing opportunities to increase individual security as well as to exacerbate individual vulnerabilities

In brief, I present some of the major arguments of these areas of understanding, but refer the interested reader to the full paper.

Who Are the Poor?

The first part of our new approach is understanding who we are affecting. Who are the poor? One of the major issues about any "pro-poor" forest policy is the problem of identifying and targeting the poor. My contention is that this is rarely done; the reasons being both pragmatic (it is very difficult) and also political (it is not usually desired by elites). The word "poor" is itself a problem covering a multitude of different types of people in different degrees of poverty.

So if we cannot use short hand such as poor, community or forest dependence, how are we going to describe and understand poor people's relations with forests?

There appear to be three levels of understanding of poverty that are beginning to appear in forest policy debates either implicitly or explicitly. The first two are gaining some ground in the literature (Wunder 2001; Sunderlin et al. 2005) with some indication that they are beginning to be used to inform policy dialogues (Swinkels and Turk 2004; Snel 2004):

1. Spatially vulnerable (forest dependence argument)
    - remote rural areas and chronic poverty (Bird et al. n.d.: 591)
2. Temporal vulnerability (safety net argument)
    - seasonal and within the life cycle (Arnold 2001; Sunderlin et al. 2005)
3. Structural vulnerability (transformative argument)
    - social, economic, and political exclusion (Wood 2003)
    - little or no voice (Cornwall 2002)

I would argue that unless we understand all three dimensions of what makes people poor, our policies will continue to reinforce poverty rather than provide the necessary changes to help the poor out of their dependence trap.

Policies have to be able to respond to the spatial poverty traps—sites of chronic poverty in remote rural areas. They need to respond to the livelihood challenges of those in remote forested areas who have little other than forests on which to build their livelihoods. In such areas, chronic dependence means that changes in policy that affect forest usage have more profound effects on livelihoods than in those areas where there is a diversity of livelihood opportunity. Across all areas there are those who suffer temporal vulnerabilities for whom forests and tree products may provide seasonal and/or life cycle safety nets. The third level of vulnerability is suffered either by particular groups in society, often indigenous groups, excluded groups (because of caste or ethnicity), or within communities because of gender, caste, or life cycle positioning. The effects of forest policy change on these groups are again different from others in the same community who are not socially or economically excluded. For some all three levels of vulnerability are in operation at the same time. Structural vulnerability is the most profoundly difficult to change through policy processes and is particularly resistant to change through technocratic solutions without due political process.

The implications of this analysis are severalfold:

1. The importance of understanding poverty in a dynamic and differentiated way and thus the provision of different forms of support for those moving out of poverty to those either stuck in it or declining further

2. The importance of understanding both formal and informal relations—particularly the complexity of power relations that affect people's capacity to obtain access to resources and constrain others' access and the high risks attached to the poor who challenge these political spaces in person or through their proxies

3. The essential linkages that need to be built in policy dialogues between sectoral policies and those that aim to provide social protection to the poorer groups; and for forestry the difficulties of building pro-poor policies if they do not link into the broader livelihood constraints faced by the rural poor including issues of access to justice, and access to land

Understanding the Changing Role of Trees and Forests in Livelihoods

The next step in our pro-poor approach to forestry calls for an understanding of the changing role of forests and trees in livelihoods. While this must be separately assessed in each different social, economic, and political country context, as there is huge variation depending on the nature of the resource, the distance from markets, the development of agriculture, the availability of other livelihood opportunities etc., some broader processes of change can nevertheless be identified.

Rapid change is underway in many countries as a result of liberalization, globalization, and development. People's relations with trees and forests are also changing rapidly. Where once there were few choices for livelihoods, now more options are opening up. The increasing penetration of cash economies and the pressure for land are driving very significant changes in the way poor people can and do access forest resources. This means that policy needs to be carefully developed as it can drive very perverse reactions at the forest level.

Politics and Power Are Central

Political analysis is an essential prerequisite to any intervention. The notion that increasing the participation of the poor through community groups, village forest committees etc., clearly needs to be challenged and rethought. The starting point should be where poor people experience politics in their own associational and political life, rather than building new institutions that are focused sectorally. The development of capabilities to participate more effectively in these existing associations will probably have more effect on the nature of forest outcomes than setting up village forest committees that become the site of elite capture or marginalization from the political decision-making process. Evidence shows that political parties remain very important channels for poor people and are their preferred method of problem solving (Centre for the Future State 2005: 22). Evidence also shows that maintaining voice, particularly for the poor, is unrealistic beyond the short term.

From my own experience, it is difficult for poorer people to maintain a high level of mobilization even for issues that may profoundly affect their livelihoods. The problems that I highlighted previously show that poor people have limited time, opportunity, or are prepared to risk sustained participation in decision-making processes that are captured by the elites, or require them to challenge elite positions. We need to start with those interventions that focus on securing people's livelihoods first. This allows them to move beyond sometimes coercive relationships based on patronage and to develop a more effective capability to participate in decision-making processes without fear of upsetting their patrons and risking their livelihoods (Wood 2003).

Building Active and Capable Citizens

Voice is a recent and important addition to the debate around building pro-poor policy outcomes. It is, as everything else, a highly politicized process and dependent on both the capability of the individual to exercise voice in decision-making arenas, as well as on the incentives for those engaged in the decision-making process to listen and respond to the voices. As has already been discussed voice and the ability to exercise it is an important part of individuals' overall capabilities, and is highly dependent on their social, economic, and political position. I am not going to reiterate the arguments already made but will summarize some of the problems of recent approaches to forest management and the effects they have had on poor people's voices:

- The predominant focus on setting up parallel structures to local government—accountable to the "parent" organization and open to bureaucratic influence has had negative effects on elected multipurpose councils, which even if working imperfectly are the arena for representation and accountability between government and its citizens

- The instrumental and often single-interest focus of local forest institutions means that they are often exclusive of poor people or certainly nonresponsive to the particular livelihood requirements of poorer groups. Focusing on interest groups easily leads to exclusion, particularly those who are nonresident, occasional, or seasonal users

- External initiation of groups often catalyzed through donor-funded programs increases the tendency to make them donor artifacts with project-bound life spans; for the poor this makes them high risk in terms of investment of time with limited expectations of returns

- The tendency of nongovernment organizations (NGOs) to appropriate the voice of the poor rather than facilitating the poor to develop their own voices leads to a level of

false representation and gets in the way of direct citizen to government interaction

The need, therefore, is for analysis and action that is not solely based on issues of empowerment and social action. Of equal importance is the way service providers, state and nonstate, currently respond to demand, their capacity to alter the nature of that response in future, and developing local government to achieve responsive and democratic interactions with its constituents.

Understanding the Role of the State and Its Relations with Civil and Political Society

The regulatory environment clearly plays a major role in determining the outcomes of forest policy and is a major element determining the responsiveness of the sector to poor people. Evidence from across the world highlights the major barriers to entry for poorer people caused by the heavy official and unofficial regulatory burden from taxes, management planning, fees, etc. Another important area for focus is the issue of revenue sharing between levels and spheres of government in terms of its effects on pro-poor outcomes. The question should focus on where the most pro-poor outcomes can be delivered. Is the very local area (commune, village etc.) a site of elite capture that is too difficult to transform in the short term? Is the role of the central state in ensuring pro-poor outcomes essential in terms of revenue redistribution or is it the subnational level that can ensure the most effective redistribution of revenue and benefits from forests to poorer people?

In some countries direct support to civil society may be less effective in supporting forest rights for the poor than providing support to forest administration system capacity building, so as to improve government responsiveness to diverse voices. Similarly, providing a platform for local and national politicians can be part of supporting a more pro-poor political society and a more rounded debate about forestry and its role within poverty alleviation. In other countries, different elements of civil society can be directly supported to take on these roles.

What is clear is that attention to civil society without equal attention to the central state as well as local government will not lead to pro-poor outcomes. The state is the guarantor for associational life and so the vitality of the state is critical to whether poor people can have a greater say in sectoral outcomes. No development of political society support to civil society will weaken long-term possibilities for positive political organization and poverty reduction.

The tendency of donors supporting change within the forest sector to move outside the state to civil society runs the risk of strengthening upward accountabilities to donors as opposed to accountability to citizens.

This also underlines the importance of building real connections between the citizenry and the state through strengthening political parties as an important element. This points towards work with parliamentary processes, to supporting new entrants into the political party scene (particularly those with an understanding of the importance of forestry to poor people's livelihoods), changing the rules and incentives that shape the current party structures, and fostering strong connections between parties and civil society groups rather than encouraging civil society to remain separate from the party political process (Carothers 2002: 19; Putzel 2004)—all highly contentious areas of work, particularly for a donor government.

The Role of the Market and Enterprise

There is increasing and persuasive evidence of the importance of building pro-poor enterprise but equally caution at promoting these forms of growth as the panacea for poverty reduction. Growth and poverty have recently become key focuses in forestry with increasing attention being paid to ways in which to commercialize forest production for pro-poor benefits (Scherr et al. 2004). The increasing demands for socially responsible forestry by investors and consumers are driving a top-end change in corporate behavior. At the local level changes include supporting community-based commercial logging, trade in nonwood forest products[4] (NWFPs), and state asset transfer through allocation of plantations to communities. There is a series of important questions to be asked about the distribution of the benefits of growth and who amongst the poor are able to access the opportunities offered through commercialization "in contexts where the benefits of growth are unequally shared then the chronic poor are the most likely to see no benefits or find that their livelihoods are weakened" (Hulme and Shepherd 2003). Indeed whether development efforts supporting commercialization of forestry products, including NWFPs, actually does anything to help poor people move out of poverty needs more thorough assessment (Angelsen and Wunder 2003: 34; Vedeld et al. 2004). In a worldwide survey conducted for the World Bank it was concluded that it is unlikely that incomes from the forests can be the principal means of poverty reduction in the short term; only in a few cases do forestry-related activities provide, on their own, a pathway out of poverty (Vedeld et al. 2004: 66).

At the other specialized end of the market substantial incomes can be made for producer households, but they are not the poor, indeed some commentators characterize this end of the market as "anti-poor" requiring high entry-level assets including education, market access, infrastructure, and secure property rights. "It is simplistic, and often wrong, to assume that because an NTFP is important to the poor, efforts to develop it will help the poor" (Belcher et al. 2005: 1446). Again pointing to the need to think about the differentiated effects of policy change, rather than assuming a blanket good for all.

Frustratingly there does not appear to be any empirical evidence documenting the within community distribution of benefits from pro-poor enterprise projects, despite the fact that elite capture continues to be a major issue raised by many commentators ("there is a real risk that community elites will take over the tenure reform process and increase the level of internal community inequality" [Scherr et al. 2004:11]); this points to the urgent need for research into these distributional issues using a differentiated understanding of poverty.

Other elements required for pro-poor commercial forestry also need to be assessed within this framework, namely tenure reform and protection of more marginal groups' land and resource access rights; access to the capital inputs particularly microfinance; development of the necessary human capital; and of course attention to the barriers contained and maintained within many countries' regulatory frameworks. Much recent work on access to microfinance has demonstrated how the chronically poor remain excluded. The nature of microfinance requires a compliant, dependent, and exclusive group that cannot countenance entry by the chronically poor who would be considered high risk members (Thornton et al. 2000; Matin n.d.). This is an important issue to address when considering how to support the entry of the chronically poor into small-scale enterprise development.

[4] Also called nontimber forest products (NTFPs).

Geopolitics and Change

The effects of geopolitics on poverty and forestry are well documented in different forms and now well linked in discussions on conflict and postconflict states. Understanding the role of geopolitics and its influence on the ground is an important element of understanding the drivers for change at the local level and the predictors for poverty reduction.

For those states emerging from situations in which timber was used as a resource to fund conflict, many of the structures set up to facilitate this system continue into the postconflict situation and pervade the institutional structures set up to manage the resources (FAO 2005). Cambodia provides a particular example of this where political patronage continues to dominate the forest sector and systems of institutionalized extortion provide major barriers to the pro-poor development of the sector (Conway et al. 2004; Le Billon 2000; Davis 2005), leaving the sector particularly immune to the technocratic reform processes funded by donors. Indeed the reform process has solidified and built on these patronage systems rather than challenging them through changing the institutional framework and looking for innovative ways to link forest resources into the nascent decentralization process. As is clear from the previous discussions historic and current analysis of change can provide predictions for the direction of future change but as experience shows crisis can change these predictions virtually overnight; there is no smooth transition from one stage to another (Carothers 2002).

Democracy itself is no guarantor of pro-poor outcomes, and indeed some of the most impressive achievements in poverty reduction have been gained in the most highly steered economies such as that of Viet Nam. This again makes prediction of the conditions necessary for pro-poor outcomes difficult to assess without careful attention to the sequencing of policy reforms. Just as the wider political environment is not amenable to recipe books for change, this is also the case within sectors. Forestry cannot be made to be pro-poor without attention to these wider political issues; this is rooted in an analysis of the nature of the state and the political regime as the basis from which to support change.

Other effects of geopolitical decision making on trade of commodities, people etc. also determine local potentials for change, driving major trends in migration, de-agrarianization and commodification of local economies requiring different forms of livelihoods and skill bases.

So What Does This All Mean?

Well the easy way out is to say that forestry has a limited capacity to be pro-poor in the sense of reaching the extreme poor, so let us not try. Its major beneficial effects will continue to be felt by those whose livelihoods are already improving and are able to take advantage of both improved access to markets and to decision making as well as for those who are already in positions of wealth. It is perhaps naïve to expect forestry to address the vulnerabilities and livelihood insecurities of those poor people who are in decline or just coping, other than through their function as safety nets particularly in times of seasonal and life cycle distress. Ironically policy decisions that support conversion of forest lands into agriculture may provide these extremely poor groups with more livelihood security than leaving them with only the safety net functions of forests and an inability to build a more secure livelihood. Other forms of intervention are more likely to change the livelihood insecurities of these groups particularly around development of their human capital.

This points to a need for more nuanced policy debates around a differentiated understanding of poverty, which links forestry interventions into more joined-up policy programs focused around reducing livelihood insecurity—so putting people at the center of the analysis. The

lumping of poor people into one category or defining them as forest dependent has obscured policy impacts on different groups. It has failed to ensure that policy approaches based on rural development rather than sectoral development are put in place. Having said this, what is clear is that there remains significant potential to change forest policy from being limited in its poverty-reduction effects to being pro-poor through the different forms and levels of engagement suggested in this paper. However, any gains from a pro-poor policy decision can be consolidated or lost in implementation.

Our world is a complex web of relationships that reach to each household and individual affecting our life decisions and choices; an understanding of these interconnections and an ability to provide greater control over decisions and resources to those at the most local level do provide perhaps a level of greater security than allowing people to be buffeted by these forces without any level of control.

What this analysis has shown is that there have been really significant changes in the ways in which forests are managed. Opportunities have been created for benefits to remain at the local level rather than waiting for them to be redistributed through often inequitable and inefficient state distribution systems through public expenditure. The major challenge now is how to shift the benefit systems to ensure that they really do become sustained in their outcomes and pro-poor in the sense of reaching the poorer members within local, community, customary, and indigenous groups. The approach outlined here is one way to begin to understand these links and to look for entry points that begin to deal with the structural issues of poverty and help to move policy dialogue and action away from aggregate understandings of poverty that often merely help to reinforce existing structural inequalities.

Appendix[5]

Reaching the Poorest from Community Forestry to Poverty-focused Local Governance: The Experience of the Nepal Swiss Community Forestry Project

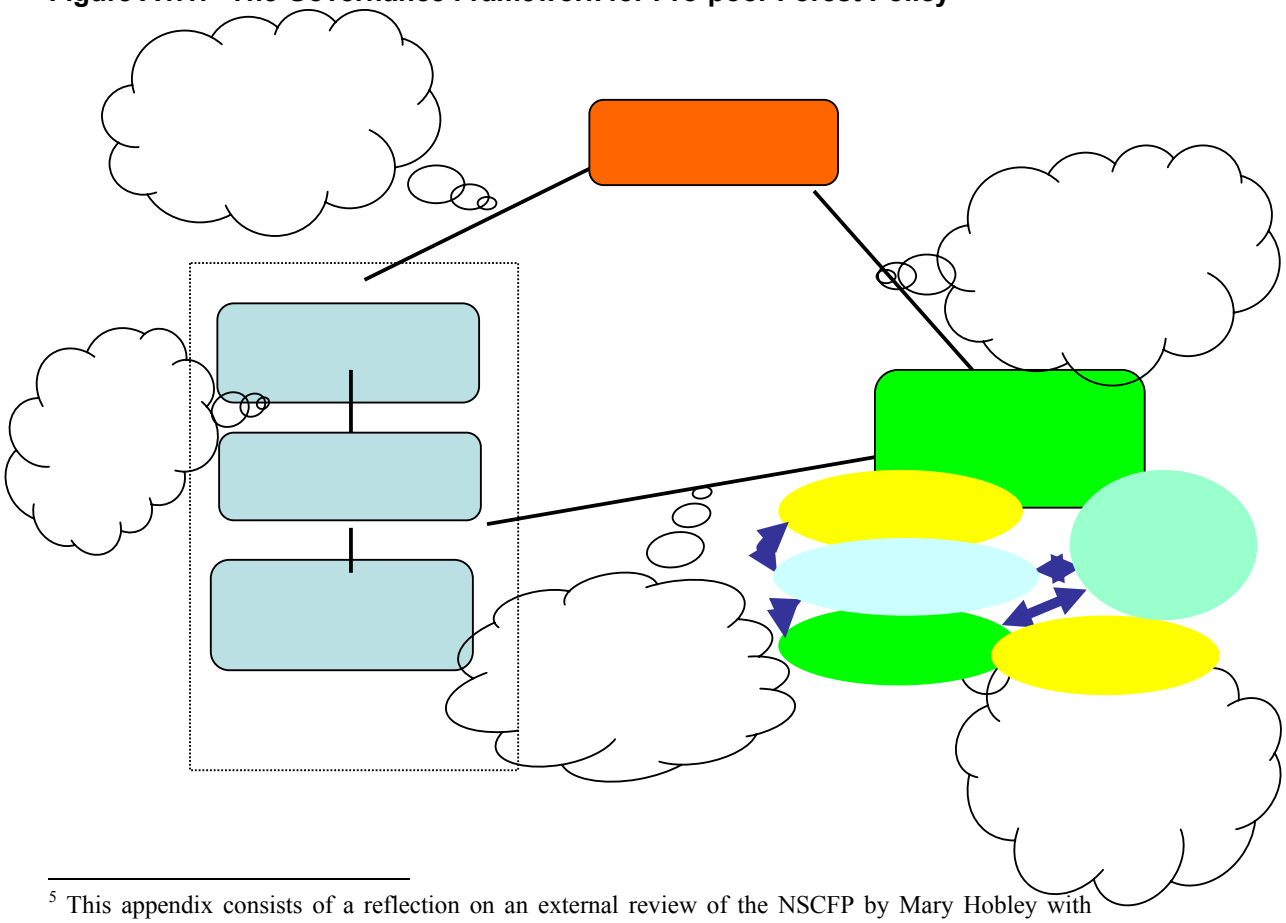
Mary Hobley and Bharat Pokharel

Potential of Forestry for Extreme Poverty Reduction

As already noted in the previous sections trying to address extreme poverty through forestry is a challenging and perhaps in many instances an inappropriate approach. The Nepal Swiss Community Forestry Project (NSCFP) has been tackling these issues and provides some important lessons on how far a forestry entry point can be used to reduce extreme poverty. What is particularly interesting about these experiences is the difficult political context in which they were developed—a period of intense conflict and instability which in its turn raised awareness of the high levels of inequality and poverty experienced by many rural households in Nepal; perhaps providing a more conducive environment for the Project's focused approach to poverty reduction.

Nepal Swiss Community Forestry Project

Figure A1.1: The Governance Framework for Pro-poor Forest Policy



[5] This appendix consists of a reflection on an external review of the NSCFP by Mary Hobley with Jagadish Baral, Narendra Rasaily, Bihari Shrestha, June 2007.

The NSCFP has supported the implementation of the National Community Forestry Programme in three hills districts of Nepal (Dolakha, Ramechap, and Okhaldhunga) since 1990. The Project is now entering the final year of its fifth phase. It is a bilateral project of the Government of Nepal (GON) and the Swiss Agency for Development and Cooperation (SDC), implemented by Intercooperation, a Swiss-based non-profit development foundation.

The Project's main focus is on *livelihood improvement and pro-poor enterprise development programs* mainly for disadvantaged households through improved governance of the community forestry user groups (CFUGs). The significant shift in focus of this fifth phase has been to address the second and third generation issues of community forestry, namely social equity and benefit sharing for disadvantaged households and commercialization (economic benefit) of forest and forest products. The Project is also moving into a transition where it is broadening out from community forestry, building on its lessons to focus on local governance and livelihoods. It is working on all aspects of the governance framework as shown in Figure A1.1.

Working with CFUGs for Poverty Reduction

In response to the Project's findings that indicated user groups were elite-driven and controlled, often excluding poorer members from using forests and deriving benefits from community forestry, it has used a mixture of activities to support change within user groups working within the enabling environment, supporting multiple partnerships among government, nongovernment, and private sectors for service delivery, and within user groups themselves to build the voice and livelihood security of poor people.

One of the major achievements of the livelihood approach used by the Project is the development in CFUGs of an understanding of the **rights** of poor people to development, rather than the more prevalent welfare-based approach. There are three major mechanisms by which the Project has affected change in CFUGs and their approach to poverty: 1) through governance coaching and sensitizing CFUG members on the rights of poor people; 2) well-being ranking, which focuses across the whole continuum from extreme poverty to relative well-being; and 3) more directly through a Livelihood Improvement Programme (LIP), which provides funds for income-generating activities (IGAs) embedded in a wider program of support from the CFUG through FREELIFEH2O.[6] This latter concept embodies an approach that builds all the livelihood capitals of an individual including human, political, social, financial, physical, and natural, linked to a rights-based approach. It is this latter linking of IGAs to a more broad-based empowerment and rights agenda that sets this project approach apart from other projects focusing on poor households. In particular the Project emphasizes to the CFUG the importance of mobilizing its own resources in recognition of the rights the poorest members have to development.

The LIP "facilitates CFUGs to reach disadvantaged households. By supporting this through income-generating activities (IGAs), LIP does not immediately appear to differ from conventional IGA projects. However, LIP enhances poor people's livelihoods not just through income generation as a welfare benefit, but also with a wide range of written legal provisions in the CFUGs plans (specifying rights, duties, responsibilities and roles of households and CFUGs) that boost all the livelihood capitals and which is coordinated by the CFUG and not the project or service providers" (NSCFP 11 2007). The onus is on the CFUG to analyze how to improve the status of disadvantaged households looking at all aspects of a household's position with respect to FREELIFEH2O.

[6] **F** Forest Products, **R** Representation, **E** Education, **E** Employment Generation, **L** Land**, I** Inclusion, **F** Fund, **E** Enterprise, **H** Health, **H** Housing, **O** Organizations.

The changes in CFUGs are supported through a rigorous process of coaching. The coaching process equips the CFUG to identify for itself the equity and governance issues that need to be addressed. It is a process that focuses on changing the local rules of the game (formal and informal) through change in behavior and attitudes at the individual level as well as group changes in structures and power relations.

Tools such as well-being ranking have been tailored to the particular conflict context in Nepal to ensure sensitivity concerning identification of individuals as wealthy. Its use has created a much greater awareness and understanding of the multidimensionality of poverty and the importance of disaggregating and understanding the factors that maintain people in chronic poverty. Its emphasis on ranking all households from extreme poor through to well-off also creates an understanding of the interconnectedness between people and the possibility of moving between categories. It is a powerful tool which when well used does not just help effective targeting but provides a basis for a reassessment of social relationships.

Box 1: The Struggle for Change: Soti Banarasi FUG Members

"Soti Banarasi was the first FUG in this area and it faced many threats when it was first established. The people in key positions at that time did not have the confidence or the support of all the forest users. A lot of people questioned its purpose even to the extent that proponents' lives were threatened. The community forest boundary was encroached many times and this still continues. Even after six years of existence it was difficult to convince users that there was utility in the FUG. The conventional structure of the group did not invite broad-based participation and only a few people were permitted to speak out. People were not thinking about social welfare but only about forest conservation. It was a Brahmin-dominated society at that time with limited awareness and participation from the *Dalits.* We faced many challenges to assure people of the security of their forest and to convince poor people that it was worth investing time and energy in cardamom farming in the forest. The biggest challenge has been to change perceptions. This has been more difficult than any physical challenges. Money is not the problem but people's minds are.

However, we have achieved the following:

- Elite domination has ended
- We have a range of transparent practices—all our expenses and income are displayed on the noticeboard
- There is active involvement of all households and in particular the poorest particularly with the start of income-generating activities
- We have a fund for natural disasters
- We provide scholarships to poor girls
- Amended the operational plan without external assistance
- Elderly and disabled people do not need to contribute labor but receive benefits from the forest
- We have a revolving fund derived from our forest fund for the very poorest households and do not charge interest
- For those who are not so poor we loan money at 10% interest
- The Village Development Committee recently provided money to the CFUG and devolved authority to it to decide on what development activities it should carry out
- Some FUG members have acted as resource people to other FUGs to provide peer advice
- We actively network with other organizations to access other opportunities for FUG members."

Sources: conversation with FUG members on a field visit, Hobley field notes, May 2007.

The strengths of the approach are:

1. CFUGs have the legal mandate to offer household-level support across all livelihood capitals and this process provides a basis to mobilize finance and other resources to meet household needs
2. Poverty alleviation becomes an obligation for which the group and the disadvantaged household must learn to negotiate

3. The written record of commitments of the CFUG to FREELIFEH20 protect the claims of the disadvantaged household
4. The signing of individual contracts on the basis of the household plan is another strong record of the claims of the disadvantaged household
5. The match-funding by CFUGs of the project seed money—amplifying the quantum of money available for the LIP
6. Building change within a preexisting organization rather than creating a new institution solely for the purpose of transferring assets and support to poor people
7. Responsibility for management and monitoring of the LIP remains with the CFUG

As a result of this Program there has been a significant shift in CFUG policies and implementation towards the poor, despite the relatively short period of project support (Box 1).

However, what is less clear is the extent to which there have been changes in the capability of poor people themselves to be able to continue to claim their rights and maintain their voice in decision making. This is not unexpected given the depth of relationships that people are caught within and the time needed to sustain structural transformation. There are clear anecdotal signs of change in attitudes and understanding towards disadvantaged households (Box 2). "Space" has been made for the inclusion and representation of previously excluded groups in decision making (NSCFP 2007, Issue Paper 11: 12). There is increased access to benefits and recognition of the claims of the extreme poor.

Box 2: A *Dalit* Woman—a Change in Respect

"There has been a big difference. Now a poor woman is chair of the CFUG. There has been a lot of change, in the language people use to me, in their attitudes to sharing food and sitting together. Now I am a member of many committees. I can speak out in committee meetings and people are respectful and they listen to what I have to say. Although my household work is being affected because I go to so many meetings, I like the way I am now treated and enjoy these meetings and socializing, which I couldn't do before."

Source: Hobley field notes, May 2007.

As Box 3 illustrates, the Project has been successful in starting a process of structural transformation and not just delivering welfare provision. It has reached the extreme poor where most projects do not even recognize these people as a separate group and so they remain invisible to development support. The individual coaching of extreme poor households (often extremely socially excluded) has (from limited evidence) begun to build confidence and remove some elements of their exclusion. This combined with a program targeting scholarships for female children of the extreme poor is the start of a process to break the intergenerational transfer of poverty.

CFUG Perspectives on Dealing with Extreme Poverty

However as the following discussion of issues raised by CFUGs indicates there are still some substantial issues for the Project to resolve, which are issues that other development actors in Nepal are also facing.

These issues emerged from discussions with FUGs about responding to extreme poverty:

- How to support the so-called ***"self-made" poor*** (often locally considered to be undeserving) i.e. those who are in serious debt because they are alcoholics and have had to sell all their land to finance both the addiction and the debt. This level of self-abuse requires careful psychological support and cultural change at the wider community level and understanding of the causes

Box 3: Reaching the Poorest—Changes in CFUGs

- **Social assets**—4,750 Disadvantaged Households (DAHs) (~5% of total membership) are identified as the most vulnerable and marginalized. A significant proportion has been provided support by the FUGs and the Project. They are reporting changes in local perceptions of their rights and their own levels of self-esteem and connection to others
- **Human assets**—since 2004 all scholarship recipients have been girls, of whom 46% are from identified DAHs. Over 41 households have had additional training and other capacity-building opportunities
- **Physical assets—**51% of beneficiaries of forest products are from DAHs; 9% of total beneficiaries of timber are from DAHs who received at least 15% share of the total annual timber volume, although DAHs comprise only 5% of FUG membership they received
- **Financial assets—**22.5% of the Project's district budgets are directly channelled to 2,150 disadvantaged households through livelihood activities. FUGs have also mobilized NRs1.2 million of their funds annually either through grants or loans for access by 2,571 DAHs that come from the extreme dependent poor category
- **Natural assets**—increased access to community forest areas for DAHs, through internal leasehold agreements (no indication yet of changes in management objectives to meet the particular needs of poor households and women)
- **Political assets**—the Project does not collect systematic information on changes in the agency of poor people, i.e. their ability to claim their rights. Limited anecdotal evidence indicates that for some households there is a perception of changes in their ability to voice their demands and receive a positive response
- **Reducing vulnerability and exposure to hazard**—many FUGs have made provision and provided funds to DAHs to support them through medical crisis and in response to natural hazards

Sources: Steenhof et al. (2007); Hobley field notes May 2007; NSCFP (2007); Gurung et al. (2006).

- How to support ***disabled adults***, ***disabled children***, and the ***elderly*** without other family networks. The FUGs have realized through experience that IGAs are of no use to them. They need direct funding, which some FUGs are now investigating as a possible way to alleviate their poverty and vulnerability. However, the giving of grants to these households is not easy for a FUG to sustain and they are concerned that in the future these households will be dependent on the FUGs and they may not have the money to support them

- ***How to build the confidence of highly vulnerable risk-averse poor people.*** Some of the FUGs indicated it has been very difficult to encourage extremely poor people to take loans for IGAs because they were scared they would not have the necessary additional resources required for subsequent inputs such as fertilizer and feed for livestock. Other households indicated they would not take loans because they were afraid they would not be able to pay back the loan within the fixed time period, which they saw as a weakness and a shame on the household. In other cases, where IGAs have failed, e.g. the failure of potatoes because of a drought, this has left the poor household more vulnerable and even less willing to take the risks associated with an IGA loan

- ***How to minimize the stigma of being identified as poor.*** One of the issues that has faced the FUGs in implementing the pro-poor programs has been to overcome poor people's unwillingness to be publicly identified as poor and thus stigmatized. At the beginning this was more difficult but as the programs are bringing benefits, more poor people are prepared to respond to gain access to these benefits
- ***How to sustain the initiatives.*** Without the funding provided by the Project for some FUGs with limited funds, it is going to be difficult to continue to support poor people as the revolving funds are not growing very quickly. In the absence of a more supportive environment to sell timber and other forest products outside the FUGs there are limited opportunities to increase the financial base of the FUG

Responding to the Changing Political Context

As the political situation at the national level changes, local-level political processes are beginning to develop as well. These changes affect the roles and relationships between local organizations and any future village-level government. The development and political space occupied by the CFUGs during the conflict period is starting to be renegotiated as some form of local-level governance is developed. In recognition of this changing context and also the realization that to respond effectively to the multidimensionality of poverty requires access to services beyond those a CFUG can or should offer, the Project has been piloting a series of processes for village-level governance. Initially the Project had suggested this village-level planning should be just for forests; this was rejected by local people as was a subsequent suggestion it should cover natural resource management. The response was that there was no point in restricting these types of processes to any one sector but that it should cover the whole ambit of livelihood requirements. The Project responded to this with the piloting of a broad-based governance and planning process.

The rationale for the Project to move from a sole focus on community forestry and the governance of CFUGs to local governance is manifold:

- Demand at the local level for a broad-based political process built on the good practices from community forestry
- CFUGs provide significant lessons in democratic processes and social inclusion that should be applied to planning and decision-making processes in local government
- The demonstrated effectiveness of the CFUGs during the conflict period as the only functioning grassroot level democratic institutions, provides an important basis for the shift of learning from the CFUGs to the village-level governance and planning processes. The consistently high scores on good governance as a result of the governance coaching indicate the importance of this type of support and the value of the approach for wider-level local governance
- Governance approaches used in CFUGs provide a basis for developing robust village-level governance
- CFUGs have demonstrated their institutional robustness and ability to deliver development services to a wide range of members and more recently to disadvantaged households, providing lessons and demonstration of pro-poor development that could be amplified across the Village Development Committee (VDC)
- Developing clarity in relationships between autonomous local organizations (CFUGs and others) and any future village governance system
- Ensuring that CFUGs do not continue to expand their boundaries of service delivery but instead expand their linkage and coordination to access services through the VDC
- CFUGs are resource creators and generators of renewable financial resources from community forests and thus are key organizations at the local level to finance pro-poor development for their members. However, as CFUGs do not necessarily cover

100% of the population, it is necessary to use a broad-based local governance approach to ensure there are no "missing people"

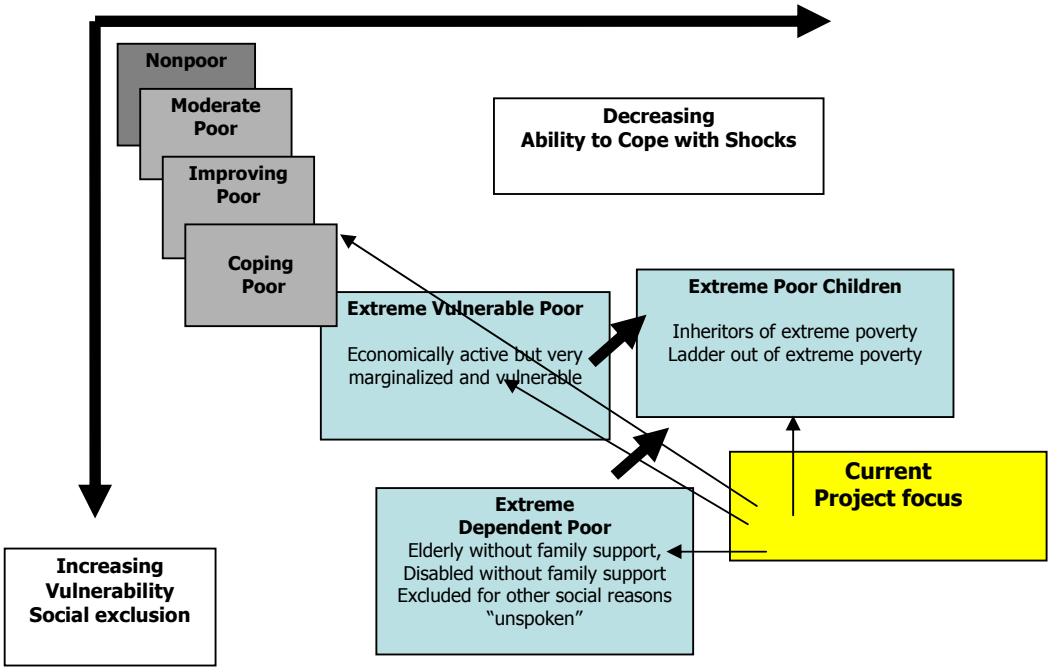
Increasing Responsiveness: Multidimensionality of Poverty Requires Multipartnerships

As the Project has demonstrated, poverty cannot be tackled through a single approach. Structural constraints require action in different dimensions that can be broadly encompassed by interventions that ***prevent*** people falling into extreme poverty, ***protect*** those who are in extreme poverty from collapsing further, and provide ***promotional*** opportunities for those who are active to be able to move themselves out of extreme poverty. However, this does raise major questions about how institutionally such multidimensional responses should be organized. The service provider model the Project has been using provides the flexibility to develop the capabilities of service providers to facilitate CFUGs to respond to the multidimensions of poverty. The challenge facing the Project that will continue into the future is how to ensure the continued development of the service providers to be able to combine service provision with empowerment of poor people to access services. Just as CFUGs face second and third generation institutional issues, so do the service providers.

The Role of Forestry Projects in Reducing Extreme Poverty

A series of questions has been raised as to whether the Project should be trying to intervene to support those in extreme poverty who face multiple disadvantages—physical disability, old age, social exclusion etc. The challenges of making a difference to the extreme poor are much greater than those of working with the poor who have some capability to engage in productive activities. The Project has taken the position that the CFUGs have a moral responsibility to all their members, whether they are physically capable or not, to provide support to them. The issue to be addressed is the means by which CFUGs can or should take responsibility for the incapable poor. This includes exploring whether this is a wider societal responsibility that can either only be resolved through national safety net programs channelled through VDCs or through wider local resource mobilization efforts across the whole VDC to provide cash support to these households.

Figure A1.2: The Poverty Continuum



The Project made a conscious and ground-breaking effort to support CFUGs to focus their support through the LIP on the extreme poor. In some cases, these households were so physically or socially incapable that they either could not accept IGAs, or did and were unable to capitalize on the investment leading them into deeper debt and insecurity. In its laudable attempts to reach the poorest and most destitute, the Project has found that it is not always possible to involve such individuals in productive activities. In terms of the pro-poor enterprise model, it is not clear that the pursuit of the involvement of the extreme poor is likely to either enhance their capabilities or enhance the commercial viability of the enterprise. The experience of the Project underlines the experience from other countries that it is essential to tailor the development support to the particular conditions of a poor individual. The extreme poor hampered by both low social and human capital are rarely able to take advantage of development opportunities. For the extreme poor the usual package of development options is inappropriate requiring both different approaches by the service providers as well as different services (mainly those concerned with social protection and most usually cash transfers).

Should Forestry Be Trying to Reach the Extreme Poor?

The discussion about extreme poverty raises a set of serious moral questions about the use of development interventions and the role of projects in improving the conditions for all or for a few. The Project has made an important shift by supporting CFUGs to recognize the rights of its poor members to lead dignified lives, whether they are capable of productive work or not. Focus has been at the extreme end of the poverty well-being continuum on those households who are in the most insecure and vulnerable conditions. Without this overt attention to these households it is likely that they would have continued to remain excluded from development opportunities. The Project has played an important role in increasing their visibility in the local community and emphasizing the moral responsibility the community has to protect these extremely vulnerable households. It does however, raise important questions about how to

expand programs to include those who are not so poor to avoid social jealousies and further marginalize and alienate the extreme poor.

It is clear though from the pioneering work of the Project that it is possible to begin to build change within CFUGs both in terms of moral responsibility and respect for the rights of the poor and extreme poor. There are no moral arguments that can be made for leaving out people from development support because they are too poor to access them; the project has been right to try to find ways to support people in extreme poverty. Its shift to broadening these approaches to the local government level provides an opportunity to make more profound changes in the structural relationships than is possible solely through a forestry interest-based group. It also underlines the limitations of trying to address extreme poverty through a single sectoral lens.

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